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Statement of

U.S. Wheat Associates, Wheat Export Trade Education Committee, and National Association of Wheat Growers

to the

HOUSE AGRICULTURE COMMITTEE

presented by

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June 16, 2005

Mr. Chairman and honorable committee members, thank you for the opportunity to present the views of the U.S. wheat producer organizations. Food aid and U.S. wheat have been intertwined for decades, so you will understand that our pride in America's generosity — and our concern about food aid shortfalls — runs deep.

Before I explain our positions on several issues regarding food aid, I'd like to give some background perspective, especially for the newer members of this committee.

Wheat has historically been an integral part of food aid

During World War II, the United States was a net importer of wheat and feed grains. The American farmer began building up production after 1944, and the wheat supply situation was transformed from acute shortages to burdensome supplies by the early 1950's. Those supplies supported the development of two programs that almost came of age together: formal export market development, and the food aid programs.

From the very beginning of Food for Peace, American wheat producers took great pride in the fact that their wheat was saving lives overseas. In 1960 Clifford Hope, the chairman of one of the export market development organizations, reported to state wheat organizations that from the time that countries came to Joseph in the Book of Genesis for wheat during the famine "until the present, there has never been a transaction involving grain to equal the one consummated last week by President Eisenhower and Food Minister Patil of India when they signed an agreement for the transfer to India, over a four-year period, of 387 million bushels of wheat and 22 million bags of rice." (397 million bushels is just a little less than one-fifth of TOTAL U.S. wheat production forecasted for this year.)

Mr. Hope explained that "the transaction will not only provide badly needed food for the people of India, including the establishment of reserves, but will strengthen the country by providing capital for economic and industrial development. It will make for political stability and peace in an important part of the world..."

I would suggest that India — and the world — is still benefiting from that and other food aid donations. But when today's policy makers make food aid decisions, they often think in terms of five year plans and exit strategies. Fortunately, recipients often have a longer view; in fact, many have long memories that serve America well.

For instance, Taiwan is among the most loyal commercial customers of U.S. wheat, giving us a 96 percent market share. But at one point they were a food aid country. A couple of years ago, an official from one of Taiwan's largest mills gave us his insight: "I remember years ago, when Taiwan was still very poor, being very grateful when our family received flour donated from the United States. When Canadians and Australians ask why Taiwan doesn't buy more of their wheat I ask them: 'What have you invested in our country?'"

Current concerns of the U.S. wheat industry

U.S. food aid IS an investment. We are investing in the recipient country's future, both in the humanitarian and in the business sense. We are investing in the future relationships between the U.S. and the recipient country. And we are investing in the greater regional and global security that accompanies growing prosperity and stronger private industries that are helped by donations of U.S. wheat and other commodities.

Because the positive results from food aid investment are so evident, looking at the long term, it is puzzling to see the U.S. government slashing the levels of funding for food aid and, in fact, contemplating cutting the U.S. farm commodities out of the picture.

- ***Food aid appropriations should be increased.***

The cuts in food aid, especially when agreements between the government and humanitarian organizations are ignored or discarded, are shortsighted and counterproductive. The U.S. needs to provide a steady level of food aid, every year, on which the international humanitarian community can rely. At a minimum, food donations should total at least 6 million metric tons annually. Further, the U.S. needs to provide a minimum of 3 MMT of wheat donations to countries that rely on bread and other wheat foods for daily sustenance.

- ***USDA should regain leading jurisdiction of food aid programs.***

We are greatly concerned about the shift from USDA to USAID in the administration of the majority of food aid agreements. USDA has the technical expertise, administrative experience, and the willingness to partner with commodity organizations, especially in ensuring that commodity specifications result in recipient countries receiving the appropriate wheat qualities for use in their wheat food products. Unfortunately, we do not find that expertise or focus within USAID, and so we urge Congress to re-examine the allocation of responsibilities and re-assign to USDA jurisdiction on food aid decisions.

- ***Food aid should not interfere with commercial markets.***

The U.S. wheat industry acknowledges the concerns expressed by our global partners, that food aid not interfere with commercial markets. We, too, would rather make sales when economies are prosperous and industries are thriving. We suggest that the implementation of U.S. food aid programs could be improved if government agencies sought commercial advice on which — if any — food aid programs are appropriate in each country so as not to interfere with U.S. commercial activities. We agree that we may need better documentation to confirm that the aid is not interfering with local commercial markets in the countries to which aid is given. Additionally, we support efforts to more clearly differentiate humanitarian aid from market development programs, and making the programs more transparent to our domestic audiences as well as to our trading partners and countries that need assistance.

- ***The U.S. needs to defend U.S. food aid programs in the World Trade Organization Doha negotiations.***

We are keenly aware of efforts by our global partners to dismantle the U.S. food aid program using stipulations in the WTO Doha negotiations. We greatly appreciate the continued efforts of our WTO negotiators to defend U.S. food aid programs. The current draft language on food aid proposes ending commodity donations for cash only and makes no provision for country to country donations. It must remain a country's right to maintain humanitarian programs that meet recipient countries' needs and to be able to respond directly to these needs. However, we support the need for greater transparency and rules to prohibit disruption of commercial markets.

We aren't the only ones who oppose efforts to largely restrict food aid to cash grants. The head of the UN World Food Program (WFP) recently warned WTO delegates from developing countries that improperly drafted new rules on food aid could contribute to hunger in the world's poorest countries. According to Bridges Weekly Trade News Digest, James Morris said that the WFP was "absolutely opposed" to limiting food aid to cash, since this may dissuade countries — especially developing ones such as India — from making legitimate in-kind donations.

Morris reportedly "questioned the need for disciplines on food aid at a time when overall food donations are dropping, citing WFP statistics showing that food aid in 2004 amounted to 7.5 million metric tons — a 30 percent drop from the year before, and half the 1999 level. The number of chronically hungry people has increased to 852 million. Arguing that food aid now accounts for only 0.3 percent of worldwide cereals production, Morris said that food aid should be judged according to its end use, as opposed to whether or not it is surplus. He also urged donor countries to increase food aid back to the 11 million tonne mark it was at in 2001."

- ***Congress should rebuff attempts to dismantle commodity donation programs.***

We were dismayed that the Administration is contemplating the very provisions that we are fighting against in the Doha negotiations — to replace food donations with cash assistance. This year's budget proposal to switch \$300 million from U.S. commodity purchases to a cash program appears to contradict everything that the U.S. is trying to accomplish with its public diplomacy initiatives. Will some future industrialist, in a current developing country that will eventually be a commercial trading partner, even know that the American taxpayer paid to send cheaper Kazakhstan wheat as U.S. food aid?

The official explanation for dismantling commodity donations and using cash instead is that the “change is intended to expedite the response to emergencies overseas by allowing food aid commodities to be purchased in markets closer to their final destination while increasing the total amount of commodities that can be procured for emergency response.”

That means that, with money now being placed in the USAID account, commodities would not have to be sourced from the United States, as they are currently when the funds are held in the USDA account.

After five decades of seeing their good U.S. wheat going to food aid, American wheat farmers would now be asked to stand aside and watch as the U.S. government purchases wheat from our competitors. But even watching the U.S. government buying Australian or French wheat isn't as bad as the next scenario. Under this budget request, Food for Peace may not even include food.

- ***Use Bill Emerson Humanitarian Trust wheat when necessary to save lives.***

The Bill Emerson Humanitarian Trust (BEHT) was established to maintain the continuity of the food aid programs during times of tight supplies and high commodity prices. These conditions do not apply at this time. Rather, the U.S. aid programs are severely underfunded, causing imminent breaks in the supply pipelines. We cannot stand by knowing that innocent people are suffering when good wheat, owned by the U.S. government, is available for donation. We therefore support the use of wheat held in the Emerson Trust to respond to dire and immediate humanitarian needs. Note, however, that the U.S. wheat industry has long opposed selling BEHT on the domestic market as a means of funding the purchases of other commodities. These sales distort our own domestic market. We strongly urge that the BEHT wheat be used in the appropriate food aid programs.

- ***Replenish the Bill Emerson Humanitarian Trust.***

The U.S. wheat industry urges administration and congressional leaders to ensure that the Bill Emerson Humanitarian Trust be replenished with wheat stocks, especially in view of escalating food aid needs. Prompt replenishment of the wheat that has been donated will send a signal that the U.S. is serious about maintaining this program in a way that allows the U.S. to respond to emergency food needs when and where they occur.

- ***Keep agriculture involved.***

Farmers all around the world are trying to answer the cries of hunger, and are doing their best to produce the most food that they can. Most farmers in the world don't expect to become rich by what they are doing. They are simply trying to provide for their families, their communities, and their markets. And if America is lucky enough with harvests to be able to provide humanitarian assistance to a country that is struggling, because of war or weather or economic troubles, we must not have international trade rules that prohibit our humanitarian response.

Summary

There are, to be sure, some things we can do better in our food aid programs, and I'm confident we will.

Our donation programs need to be more consistent from year to year, and they should be non-commodity specific. That is, a country that needs food aid should not have to beg, nor to wait and wonder, nor should they be given a commodity they do not need. (Consistent amounts — during good crop years and bad — would also serve to counter accusations by the EU that the U.S. is merely trying to reduce abundant supplies.)

All food aid programs around the world should be more transparent, more responsive, and more inclusive. We need to honor the commitments we make, and do the things that are necessary to convey the true American dedication to being a friend in need. In short, we need to recommit our government to adequate and appropriate food aid.